LEGISLATIVE FISCAL OFFICE
Fiscal Note

Fiscal Note On: **HB 527** HLS 20RS 736
Bill Text Version: **ORIGINAL**
Opp. Chamb. Action:
Proposed Amd.:
Sub. Bill For.:

Date: May 3, 2020 2:20 PM
Author: IVEY
Dept./Agy.: Economic Development
Subject: Industrial Tax Exemption
Analyst: Greg Albrecht

TAX/AD VALOREM TAX OR SEE FISC NOTE LF RV See Note
(Constitutional Amendment) To provide for ad valorem tax exemptions for certain property

Present constitution enumerates specific properties that are exempt from ad valorem taxation and provides that no other property shall be exempt. The current industrial tax exemption program provides an ad valorem tax exemption to 80% of the assessed value of qualifying manufacturing capital investment for ten year; an initial term of five years with an additional five-year renewal term. Approval is required by the Board of Commerce & Industry (BC&I), local governing bodies, and the governor.
Proposed constitutional amendment authorizes three different exemption options. A standard exemption of 80% for a single eight year term, solely on the approval of the BC&I. A local exemption of up to 100% for a term of no more than fifteen years, requiring approval by each political subdivision in whose district the project is to be located. An executive exemption of up to 100% for a term determined by the governor, and requiring approval of the governor. Enactment of any law to administer these options shall require a two-thirds vote of the legislature. CONTINUED ON PAGE TWO

EXPENDITURES	**2020-21**	**2021-22**	**2022-23**	**2023-24**	**2024-25**	**5 -YEAR TOTAL**
State Gen. Fd.	$0	$0	$0	$0	$0	**$0**
Agy. Self-Gen.	$0	$0	$0	$0	$0	**$0**
Ded./Other	$0	$0	$0	$0	$0	**$0**
Federal Funds	$0	$0	$0	$0	$0	**$0**
Local Funds	$0	$0	$0	$0	$0	**$0**
Annual Total	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**

REVENUES	**2020-21**	**2021-22**	**2022-23**	**2023-24**	**2024-25**	**5 -YEAR TOTAL**
State Gen. Fd.	$0	$0	$0	$0	$0	**$0**
Agy. Self-Gen.	$0	$0	$0	$0	$0	**$0**
Ded./Other	$0	$0	$0	$0	$0	**$0**
Federal Funds	$0	$0	$0	$0	$0	**$0**
Local Funds	$0	SEE BELOW	SEE BELOW	SEE BELOW	SEE BELOW	**$0**
Annual Total	**$0**					**$0**

EXPENDITURE EXPLANATION

There is no anticipated direct material effect on governmental expenditures as a result of this measure.

REVENUE EXPLANATION

There is no anticipated direct material effect on state government revenues as a result of this measure. However, local government ad valorem tax bases would be affected depending on which of the three options is applied by particular governing entities for particular projects.

To the extent the standard exemption is applied, local tax bases would be expanded after the eighth year of its term relative to the current total term of ten years (both the current program and the proposed program provide an 80% exemption).

To the extent the local exemption is applied, local tax bases could be expended or reduced during its term, relative to the current program of 80% exemption for a total term of ten years, since the option allows for an exemption up to 100% and for a term of no more than fifteen years.

To the extent the executive exemption is applied, local tax bases could be expended or reduced during its term, relative to the current program of 80% exemption for a total term of ten years, since the option allows for an exemption up to 100% and for a term determined by the governor.

The amendment also removes the definition of "manufacturing establishment" and "addition" from the Constitution. If these exemption options are applied consistent with the current constitutional provision, this removal is not consequential. However, a change to the traditional applicability could materially expand or contract the affected tax base.

In addition, while the bill authorizes three different exemption options, it does not provide guidance as to which one is to be applied in any particular situation. For purposes of this Fiscal Note it is assumed that only one option can be applied to any particular project and does contemplate statutory provisions for the administration of these options will make this clear.

CONTINUED ON PAGE TWO

Senate Dual Referral Rules
- [ ] 13.5.1 >= $100,000 Annual Fiscal Cost {S & H}
- [ ] 13.5.2 >= $500,000 Annual Tax or Fee Change {S & H}

House
- [ ] 6.8(F)(1) >= $100,000 SGF Fiscal Cost {H & S}
- [ ] 6.8(G) >= $500,000 Tax or Fee Increase or a Net Fee Decrease {S}

John D. Carpenter
Legislative Fiscal Officer

LEGISLATIVE FISCAL OFFICE
Fiscal Note

Louisiana Legislative Fiscal Office
Fiscal Notes

Fiscal Note On: **HB 527** HLS 20RS 736
Bill Text Version: **ORIGINAL**
Opp. Chamb. Action:
Proposed Amd.:
Sub. Bill For.:

Date:	May 3, 2020 2:20 PM	**Author:**	IVEY
Dept./Agy.:	Economic Development		
Subject:	Industrial Tax Exemption	**Analyst:**	Greg Albrecht

CONTINUED EXPLANATION from page one:

Continued Purpose of Bill:
The definition of "manufacturing establishment" and "addition" are removed from the Constitution.

In addition, the proposed amendment adds to the exemptions non-residential property subject to a cooperative endeavor agreement between the owner and one or more taxing authorities, as provided by law, in which the property owner makes payments in lieu of ad valorem taxes to the extent provided in the agreement. Enactment of law to implement this provision, and any amendments to that law, shall require a two-thirds of the legislature.

To be submitted to the electors at the statewide election to be held on November 3, 2020.
Effective January 1, 2021.

The amendment also provides local governments the ability to grant non-residential ad valorem tax exemptions in lieu of other payments, subject to statutory provisions. Although there may be numerous reasons for both local governments and taxpayers to enter cooperative endeavor agreements to achieve community goals, the utilization of this authority may result in lower local ad valorem tax revenue collections, in that, taxpayer payments in lieu of ad valorem tax may be lower than the ad valorem tax itself. Otherwise, taxpayers may not be inclined to enter the cooperative endeavor agreements. However the payments in lieu of ad valorem tax may provide resources for particular local projects that might not be available from other sources. Utilization of such agreements is speculative, and the ultimate local government aggregate revenue impacts can not be projected.

Given the bill's effective date, the earliest fiscal year that could be affected would be FY22 for agreements affecting ad valorem taxes due for calendar year 2021.

Senate Dual Referral Rules	House
☐ 13.5.1 >= $100,000 Annual Fiscal Cost {S & H}	☐ 6.8(F)(1) >= $100,000 SGF Fiscal Cost {H & S}
☐ 13.5.2 >= $500,000 Annual Tax or Fee Change {S & H}	☐ 6.8(G) >= $500,000 Tax or Fee Increase or a Net Fee Decrease {S}

John D. Carpenter
Legislative Fiscal Officer